Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
1992 Annual Access Tariff Filings	)	CC Docket No. 92-141
	)	
GTE Telephone Operating Companies	)	Transmittal No. 711
	)	

REPLY OF GTE

GTE SERVICE CORPORATION ON
BEHALF OF ITS AFFILIATED
DOMESTIC TELEPHONE OPERATING
COMPANIES

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SUMMARY

GTE replies to the Association for Local Telecommunications Services' ("ALTS") challenges to the GTE Direct Case in support of the proposed below-band rate reductions in certain jurisdictions. The Direct Case set forth in detail an average variable cost ("AVC") study which showed that the proposed rates cover their average variable cost and otherwise meet all requirements of the Communications Act.

Although ALTS challenges both the methodology employed and the cost data provided, none of the objections support rejection of the rates proposed. The AVC study uses a conservative and supportable "snapshot in time" approach which fully reflects average variable costs. This approach is consistent with the Commission's rules and policies. Furthermore, all relevant costs have been included and shown at the appropriate level of detail. GTE provides further support in this Reply for the study.

The Direct Case has shown that the GTOCs' proposed rates are reasonable using both relevant antitrust analysis and other public interest criteria. While ALTS attempts to discredit this analysis arguing there is no relevance to predatory purpose, the judicial precedents do not support this argument. Price reductions alone do not prove predatory prices. GTE has shown that the reductions proposed are a legitimate response to an increasingly competitive environment.

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REPLY OF GTE

GTE Service Corporation ("GTE"), on behalf of its GTE affiliated domestic telephone operating companies ("the GTOCs"), hereby submit this Reply to the Opposition of the Association for Local Telecommunications Services ("ALTS") in the above-referenced tariff investigation.

BACKGROUND

On July 27, 1992, the GTOCs submitted their Direct Case in response to issues designated for investigation in the Commission's Memorandum Opinion and Order Suspending Rates and Designating Issues for Investigation ("the Designation Order"), DA 92-841, released June 22, 1992. In the Direct Case, the GTOCs provided average variable cost ("AVC") studies for California, Florida, Southwest and Washington/Oregon/California-West Coast in support of below band rate reductions for Local Transport rates proposed in the 1992 Annual Access tariff filing.

Only ALTS filed an opposition to the Direct Case. ALTS represents carriers who are competitors to the GTOCs in the jurisdictions in which the

reductions are proposed. In its opposition, ALTS challenged the AVC study proffered by the GTOCs claiming that GTE has under-reported costs, over-estimated service output and failed to demonstrate that the proposed rates will recover their average variable costs. GTE will show herein that these assertions are without merit and that the rates are just and reasonable.

While ALTS asks the Commission to find that the rates proposed by the GTOCs are predatory, nowhere does ALTS explain how the GTOCs would recoup the profits foregone from the alleged predatory rates proposed. GTE has shown in the Direct Case that the rates proposed are a reasonable response to the competitive environment and are fully consistent with the Commission's incentive regulation. ALTS has not shown that the rates proposed are predatory. Any further delay of the proposed Local Transport reductions is unjustified.

GTE has shown that the proposed reductions are reasonable.

ALTS raises several objections to the Direct Case, but many of these comments go well beyond the issues designated in this proceeding. Accordingly, they should be summarily rejected. For example, ALTS' suggestion that the GTOCs' proposed rates must somehow conform to some yet undecided rulemaking decisions is ridiculous. Clearly, the reasonableness of the rates must be evaluated only on the basis of the rules already established, not some uncertain future policy.

Further, ALTS asserts that the GTOCs should be required to provide data concerning all GTOC jurisdictions in order to justify rate reductions for selected jurisdictions. Not only is this inconsistent with current and historical practice, but

irrelevant to the determination of the reasonableness of the proposed rates.[1] Under price cap monitoring and reporting, there is clearly no way that GTE could subsidize rates from one jurisdiction with earnings from another jurisdiction. There is no reason to require supporting data for rates which are not being reduced.

ALTS has repeatedly challenged GTE's right to make selective rate reductions. The Commission recognized in the Price Cap Orders, however, that below-band reductions would be permitted, as long as the appropriate showing was made. Nowhere has the Commission suggested that rate reductions would have to be made across-the-board. It is appropriate for the LEC to reduce rates to remain competitive with non-regulated competitors. Since GTE faces significant competition in the major metropolitan areas of Tampa, Los Angeles, Dallas and Seattle, these are the areas selected for reductions. The GTOCs' separate study areas and tariff entities are consistent with Commission's Rules. Separate study areas assure that costs and efficiencies realized in one area do not impact another.[2]

ALTS' challenge that costs vary by 50 to 80 percent "overnight," fundamentally and conveniently confuses FDC and AVC cost applications. ALTS' attempts to compare AVC and FDC are meaningless. Average variable cost has little relationship to fully distributed costing methodologies. The critical

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1 With the exception of annual access filings and special filings, such as the flow-through of a change in rate of return or separations factors, no supporting data is required for other entities or study areas.

2 The level of rates in Montana, a very small, rural service area, cannot be compared to the rates in California, the large, densely populated, major metropolitan service area of Los Angeles.

inquiry in this investigation is whether those proposed reductions cover the variable costs, not how those rates compare to other rates.

One of the objectives of price cap regulation was to reduce the administrative burden and to promote LEC efficiencies in their operations, passing the benefit of those efficiencies on to their customers in the form of rate reductions. The Commission must reject ALTS' attempt to burden the AVC showing with more excessive documentation than would be required under rate of return regulation.

The GTOCs' cost study methodology captures all relevant variable costs.

ALTS challenges the GTOCs' AVC study, asserting that the GTOCs have not adequately captured all relevant variable costs in the study. Specifically, ALTS argues that the AVC study data fails to include the impact of changes in expenses which occur over time. As a "remedy," ALTS proposes (Opposition at 5) that the AVC "test" should "require an averaging of LEC investment data over the most recent five-year period."

GTE believes that the study presented in support of the variable costs is reasonable. As ALTS readily acknowledges (Opposition at n. 9), opinions differ as to whether AVC should be forward-looking or historical. There is no legal or academic precedent for ALTS' recommended five-year study. The snapshot approach used by the GTOCs for identifying variable costs is reasonable and acceptable under the circumstances involved.

The snapshot approach, that is an analysis of cost structure and level, (i.e., amount of copper/fiber) on a "present day/present snapshot in time" basis, was used in the GTOCs' methodology for determining AVC. GTE believes this

to be a conservative approach which adequately captures AVC. Since it is accepted economic standard to view incremental cost on a forward looking basis, using today's variable costs in a time of declining costs is clearly reasonable.[3]

ALTS' suggestion that the Commission require an averaging of investment data over the most recent five-year period suggests embedded cost studies and antiquated and abandoned methodologies, such as fully distributed cost ("FDC"). A five-year historical perspective of costs departs from the policy and direction of incentive regulation. As compared to a forward looking view, the GTE approach might lean toward the high side of costs, but fully reflects variable costs. The obvious and repeated attempts by ALTS to confuse FDC-based rates with AVC-based rates is totally unsupported by Commission precedent.

GTE has attempted to provide average variable cost in a reasonable manner. Contrary to ALTS' assertions, GTE believes that its approach is conservative and supportable. In many cases, GTE erred on the high side, even if there may have been some justification for using a lower cost. For example, GTE's study envisioned all new copper and fiber facilities in recovering the investment directly attributable to the physical plant associated with interoffice transport, even though, realistically, the majority of the interoffice network already exists.[4]

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3 Since costs are declining, today's costs would be higher than tomorrow's lower cost, resulting in higher variable costs than in the future. A justifiable long run view of costs would logically produce a significantly lower cost floor given the steady decline in electronic costs over the last several years and GTE's consistent and pervasive deployment of fiber in its network.

4 ALTS mistakenly assumes (Opposition at 4) that the Local Exchange Carrier's ("LEC's") costs for providing new fiber circuits are virtually all variable. This is not the case. For the GTOCs, significant investment in fiber plant is already in place and has been for several years. In addition,

Similarly, in the choice of utilization factors, GTE's study is conservative. GTE used factors based upon today's network utilization. Instead of using a higher fill factor representative of GTE's interoffice network, GTE chose a lower factor that encompasses both the transport and the loop facilities. The resulting cost level is higher than it would have been if a "transport only" utilization factor had been used.

Thus, the AVC study presents conservative support for the variable costs presented.

The AVC study provides sufficient cost detail.

ALTS asserts that the proposed rate reductions should be rejected because the AVC study provided in the Direct Case lacks necessary detail. As ALTS recognizes, however, there are no clear requirements for the level of detail necessary for the AVC showing. While the GTOCs' AVC studies do not account for every nut, screw or widget which comprise the final costs, the information is provided on a reasonable level. Aggregation at the lowest levels is not necessary or appropriate to adequately describe the variable costs involved. The detail provided allows for the necessary evaluation of the underlying costs.

Many of the items ALTS claims were excluded from the GTE study were, in fact, included, but were not necessarily shown at this lowest detail. To show the items included in the output, GTE provides three additional exhibits as attachments to this Reply which provide an example of items included and the calculations used to determine output. Due to the confidentiality of the filed data,

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given the technical characteristics of fiber facilities, the provisioning of incremental capacity results primarily from changing electronics, resulting in only a small variable cost for additional units.

the numbers in the exhibits do not tie directly to any numbers on the AVC study, but are provided for illustrative purposes only. GTE does not believe that it is necessary to provide the actual minute cost data to justify the reasonableness of the costs involved.

ALTS also claims (Opposition at 8) that "GTE fails to include costs associated with monitoring and testing switched circuits" such as alarm systems and portable testing equipment. The GTOCs have included alarm equipment, along with other related equipment, in the CO Repeater Equipment Category (See Exhibit 1, Page 1 of 1). The GTOCs use portable test equipment to monitor and test switched circuits, but this equipment is not directly proportional to increases in demand for service because a fixed amount of equipment is available for each central office switch, irrespective of size.

ALTS also claims (Opposition at 8) that the GTOCs exclude spare equipment from its cost studies. Spare capacity is accounted for in part through the 90 percent circuit equipment and 75 percent outside plant utilization factors. Exhibit 3, Page 1 of 2, Line 13 shows that the investment is increased to ensure recovery for underutilized plant. As spare equipment is placed in service, it is either expensed in the maintenance account and recovered through the maintenance annual charge factor or it is capitalized and recovered through the depreciation annual charge factor.

ALTS comparison to the Illinois Bell tariff is misleading and uninstructive. ALTS tries to compare Illinois Bell's monthly intrastate rates for test and spare equipment for two DS-3 circuits, as shown in their tariff, to GTE's variable costs for test and spare equipment for a voice grade equivalent circuit. Such a comparison is meaningless. Even if these Illinois Bell tariff rates were comparable to GTE's cost, this amount -- equivalent to 36 cents per voice grade equivalent circuit --would be de minimis.

ALTS also argues that various miscellaneous equipment including equipment racks or bays, power supplies and fuse panels are excluded from the cost studies. These items are also included in the CO Repeater Equipment Category as shown on Exhibit 1, Page 1 of 1.

Thus, the GTOCs have provided the necessary showing of variable cost, Although some of these costs have been aggregated at the lowest levels, the level of detail provided reasonably shows that all appropriate costs have been included in the study.

Switched Transport facility costs have been reported correctly.

ALTS asserts (Oppostion at 9-10) that the GTOCs have under-reported Switched Transport Facility Costs. Specifically, ALTS claims that conduit costs and cost of repeaters (regenerators) for fiber cable have been excluded and that tandem office costs have been misallocated. This assertion is wrong.

Conduit for interoffice transport is recovered through a plant support factor (See Exhibit 3, Page 1 of 2, Line 9). This factor is calculated by dividing current conduit and pole (plant in service) investments by the total aerial, underground, and buried cable (plant in service) investments and is applied to outside plant material, engineering, and installation. Fiber Optic digital transmission facilities require regenerators, devices that completely replace the incoming signal with a new, noise-free signal, only when the total attenuation exceeds 21 db. This situation typically occurs between 25-30 miles.[5] Since this 21 db breakpoint is exceeded on average only in the case of GTE Southwest,

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5 The total attenuation, and thus the effective distance between regenerators, is influenced by several factors, including the number of pass-through offices

the regenerator equipment appears in the Circuit Equipment Category for this Transport Facility rate element for this jurisdiction only.

ALTS argues that tandem costs should have been assigned to the transport facility, not transport termination, but ALTS provides no support for its assertion. Costs of access tandems belong in the transport category. Part 69 of the Commission's Rules does not specify that these costs are to be included in the facility element. LECs have the latitude to place tandem costs in local transport termination, local transport facility, or to spread the costs across both services, in whatever reasonable manner. Since access tandem expenses are not distance sensitive, GTE has placed these costs in transport termination. Since there is no requirement that these costs be "allocated" or "assigned" as ALTS suggests, GTE has reasonably accounted for these costs.

The GTOCs have included all relevant expense amounts.

ALTS claims (Opposition at 10-11) that the GTOCs have failed to include the cost of capital and costs of marketing, order processing, billing and collecting and recordkeeping. However, the GTOCs recover the cost of capital at an 11.25% rate of return through the combination of Depreciation, Return, Federal and State Income Tax and annual Nonrecoverable Cost (See GTE Telephone Operations, Investment and Cost Data, Workpaper TS-BB, lines 17-21 of Direct Case). Nonrecurring costs associated with order processing are recovered through the following Non-recurring charges: Initial Ordering Charge-Switched Access and Subsequent Ordering Charge-Switched Access. Switched Access ordering charges are associated with the work performed in connection with the receiving, recording and processing of customer service requests.

GTE has properly accounted for the other expense items in determining average variable cost, as well. The GTOCs are already in the access business. Since the administrative systems are already in place, staffed or provisioned, additional units of service require no additional expenses. Marketing and administration expenses are not only insensitive to volume, they are costs associated with all of switched access. For example, the cost associated with producing 100 incremental minute/miles or terminations in no way causes a fluctuation in the marketing and administrative costs. While there may be some additional processing costs associated with incremental units related to billing and collection expense, past experience has shown that the cost is de minimis.[6] Costs such as marketing, order processing, billing and collection, record keeping and other administrative expenses were properly accounted for in the AVC cost study.

While the AT&T Price Cap Order[7] cited by ALTS found that the average variable cost of a service must include all access charges and billing and collection, the key word here is "service." The instant filing addresses only the variable costs associated with two rate elements of access service. Other rate elements necessary to provision an access service include billing and collection, but not all of those elements are shown in the AVC. It is not necessary, or required to evenly allocate expenses such as administration, marketing, billing and collection across the board to all rate elements within a service category.

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6 Given the overall conservative nature of GTE's study methodology, this minimal cost associated with billing and collection is insignificant.

7 Policy and Rules Concerning Rates for Dominant Carriers, 4 FCC Rcd 3115 (1989).

The GTOCs have properly stated output.

ALTS challenges (Opposition at 11-13) GTE's methodology for determining output as vague, unquantified and grossly overstated. ALTS incorrectly assumes a 100 percent fill factor for each level of division, but a 100 percent fill utilization factor is not applied at each level of division. GTE used a 90 percent circuit equipment fill factor and 75 percent outside plant fill factor in the cost studies. Such factors are consistent with previous rate studies and adequately describe the service provided.

As GTE explained in the Direct Case (at 3-4):

> For example, if the total cost of a 565 fiber optic terminal system is input into the cost model and the appropriate fills are applied, one would divide by 12 to demonstrate the total cost on a per DS-3 basis. This amount would be divided by 28 to show the cost on a DS-1 level, and subsequent division of this result by 24 would provide results on a voice grade level. . . . The per circuit investment was then converted to the individual switched transport rate element by dividing by the appropriate usage amount.

Exhibit 3 has been developed to show that GTE's methodology is quantitative and that outputs are developed based on appropriate cost study techniques. This exhibit calculates the investment output of a 565 Mbps system equipped with twelve DS-3s associated with fiber transport termination. This example not only illustrates that a 100% fill utilization factor is not applied at each level of division, but also shows the method of applying the material loadings, plant support factors and various utilizations.

As shown in Exhibit 3, the 90 percent and 75 percent network utilization factors are applied at the system level and thus flow through from system to DS-3 to DS-1 to voice grade. Moreover, a 75 percent utilization factor is applied from DS-3 to DS-1 representing 21 DS-1s per 1 DS-3 and an 80 percent utilization factor from DS-1 to voice grade representing 19 voice grade circuits

per DS-1. This shows that the GTOCs did not overstate the output or understate cost.

The GTOCs have shown that the proposed rates are otherwise just and reasonable.

The Direct Case has shown that the GTOCs' proposed rates are reasonable using both relevant antitrust analysis and other public interest criteria. While ALTS attempts to discredit this analysis arguing there is no relevance to predatory purpose, the judicial precedents do not support this argument. Price reductions alone do not prove predatory prices. GTE has shown that the reductions proposed are a legitimate response to an increasingly competitive environment.

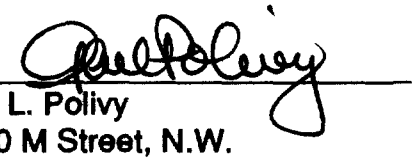
The Commission's price cap rules and other regulatory constraints assure that the GTOCs cannot abuse their position in the market. Monitoring and reporting requirements assure that GTE can not recover underearnings from other ratepayers. While it is understandable that competitors would attempt to use the regulatory process to constrain the LECs, the public is not served by unjustifiable obstruction. ALTS has failed to rebut GTE's showing of reasonableness.

CONCLUSION

GTE has shown that the rates proposed are just and reasonable. For the foregoing reasons, the Commission should conclude this investigation and allow the filed rates to go into effect.

Respectfully submitted,

GTE Service Corporation on behalf of its affiliated domestic telephone operating companies

By 

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EXAMPLE OF SWITCHED TRANSPORT TERMINATION EQUIPMENT ITEMS REFLECTED IN CO REPEATER EQUIPMENT CATEGORY

COMMON EQUIPMENT

- RELAY RACK 8'
- FAULT LOCATOR
- FUSE PANEL
- PROTECTOR (FL & OW)
- T&R PROTECTOR
- ABAM CABLE TO CCB & PROTECTOR

COMMON SPAN EQUIPMENT

- SPAN SHELF
- FUSE & ALARM
- CABLING

SPAN EQUIPMENT

- TERMINAL REPEATER
- SIMPLEX POWER

EXAMPLE OF SWITCHED TRANSPORT FACILITY EQUIPMENT
ITEMS REFLECTED IN LINE REPEATER EQUIPMENT CATEGORY (COPPER)

COMMON EQUIPMENT

- HOUSING
- FL & OW UNIT
- LINE FAULT FILTER
- STUB POLE
- PROTECTION KIT
- BRIDGING TEST CORD
- GAS TUBE EXTRACTOR

SPAN EQUIPMENT

- REPEATER PLUG-IN
- PROTECTION KIT

FOR ILLUSTRATION PURPOSES ONLY

INVESTMENT OUTPUT DETERMINATION OF 565 MBPS EQUIPPED WITH 12 DS3s ASSOCIATED WITH FIBER TRANSPORT TERMINATION

LINE		CIRCUIT EQUIPMENT MATERIAL COST (A)	OUTSIDE PLANT MATERIAL COST (B)	CIRCUIT EQUIPMENT ENGINEERING COST (C)	OUTSIDE PLANT ENGINEERING COST (D)	CIRCUIT EQUIPMENT INSTALLATION COST (E)	OUTSIDE PLANT INSTALLATION COST (F)
1	LOADED LABOR RATE			$42.50	$40.25	$31.50	$32.25
2	X BASE SYSTEM LABOR HOURS			40	0	140	0
3	LOADED BASE SYSTEM COST			$1,700	$0	$4,410	$0
4	BASE SYSTEM COST	$39,997	$0				
5	X MATERIAL LOADING FACTOR	25.00%	90.00%				
6	MATERIAL LOADING	$9,999	$0				
7	+ BASE SYSTEM COST	39,997	0				
8	LOADED BASE SYSTEM COST	$49,997	$0	$1,700	$0	$4,410	$0
9	X PLANT SUPPORT FACTOR	N/A	20.00%	N/A	20.00%	N/A	20.00%
10	PLANT SUPPORT LOADING	$0	$0	$0	$0	$0	$0
11	+ LOADED BASE SYSTEM COST	49,997	0	1,700	0	4,410	0
12	TOTAL SYSTEM COST	$49,997	$0	$1,700	$0	$4,410	$0
13	/ % UTILIZATION	90.00%	75.00%	90.00%	75.00%	90.00%	75.00%
14	TOTAL BASE SYSTEM COST	$55,552	$0	$1,889	$0	$4,900	$0
15	/ 12 DS3s	12	12	12	12	12	12
16	TOTAL DS3 COST	$4,629	$0	$157	$0	$408	$0
17	/ % DS1 UTILIZATION	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%
18	ADJUSTED DS3 COST	$6,172	$0	$210	$0	$544	$0
19	/28 DS1s	28	28	28	28	28	28
20	TOTAL DS1 COST	$220	$0	$7	$0	$19	$0
21	/24 CHANNELS	24	24	24	24	24	24
22	TOTAL VOICE GRADE COST	$9.19	$0.00	$0.31	$0.00	$0.81	$0.00

FOR ILLUSTRATION PURPOSES ONLY

INVESTMENT OUTPUT DETERMINATION OF 565 MBPS
EQUIPPED WITH 12 DS3s
ASSOCIATED WITH FIBER TRANSPORT TERMINATION

LINE		TOTAL MATERIAL COST G=(A+B)	TOTAL ENGINEERING COST H=(C+D)	TOTAL INSTALLATION COST I=(E+F)	TOTAL COST J=(G+H+I)
23	TOTAL VOICE GRADE COST	$9.19	$0.31	$0.81	$10.31
24	/ 13,200 MOUs (SEE BELOW)	13,200	13,200	13,200	13,200
25	CAPACITY COST PER MOU/TERM	$0.00069584	$0.00002366	$0.00006138	$0.00078088
26	/ % UTILIZATION	80.00%	80.00%	80.00%	80.00%
27	COST PER MOU/TERM	$0.00086981	$0.00002958	$0.00007672	$0.00097610

SWITCHED MINUTE CALCULATION

28	36 CCS CAPACITY	36
29	X 10 BUSY HOURS PER DAY	10
30	CCS PER DAY	360
31	X 22 DAYS PER MONTH	22
32	CCS PER MONTH	7,920
33	/ .6 CCS TO MOU FACTOR	0.6
34	CAPACITY MOUs	13,200

NOTES TO EXHIBIT 3

Line 1 - Loaded Labor Rates consists of costs associated with direct basic labor, direct support, direct supervision, overtime premium, paid absent, direct department benefits, tools, and motor vehicles.

Line 2 - Base System Labor Hours are the engineering and installation (including initial testing) hours associated with the system's circuit equipment and outside plant.

Line 3 - Loaded Base System Cost is line 1 times line 2.

Line 4 - Base System Cost is the circuit equipment and outside plant material cost with no loadings.

Line 5 - Material Loading Factor represents the applicable supply, minor material, freight and sales tax.

Line 6 - Material Loading is line 4 times line 5.

Line 7 - Base System Cost is the same as line 4.

Line 8 - Loaded Base System Cost is the sum of lines 3, 6, and 7.

Line 9 - Plant Support Factor recovers conduit/poles and is applied to outside plant material, engineering, and installation.

Line 10 - Plant Support Loading is line 8 times line 9.

Line 11 - Loaded Base System Cost is the same as line 8.

Line 12 - Total System Cost is the sum of line 10 and 11.

Line 13 - % Utilization represents a fill factor of 90% for circuit equipment and 75% for outside plant. These factors represent the usable capacity of circuit equipment and outside plant.

Line 14 - Total Base System Cost is line 12 divided by line 13.

Line 15 - Twelve (12) DS-3s represent the number of DS-3s in the 565 Mbps fiber optic system.

Line 16 - Total DS-3 Cost is line 14 divided by line 15.

Line 17 - % DS-1 Utilization represents a 75% fill factor of DS-1s in each DS-3.

Line 18 - Adjusted DS-3 Cost is line 16 divided by line 17.

Line 19 - Twenty-eight (28) DS-1s represent the number of DS-1s in a DS-3.

Line 20 - Total DS-1 Cost is line 18 divided by line 19.

Line 21 - Twenty-four (24) Channels represents the number of voice grade channels in a DS-1.

Line 22 - Total Voice Grade Cost is line 20 divided by line 21.

Line 23 - Total Voice Grade Cost combines circuit equipment and outside plant material, circuit equipment and outside plant engineering, and circuit equipment and outside plant installation.

Line 24 - 13,200 MOU is the monthly switched minute capacity and is calculated using lines 28 through 34.

Line 25 - Capacity Cost Per MOU/Term is line 23 divided by line 24.

Line 26 - % Utilization represents the GTE planning standard of 80% for interoffice networks.

Line 27 - Cost Per MOU/Term is line 25 divided by line 26 and is the investment per termination expressed on a monthly basis. This investment amount (in Workpaper TS-BB...see Direct Case) is then multiplied by annual charge factors and the sum is divided by 12 in order to arrive at monthly cost (line 28 of Workpaper TS-BB).

Line 28 - Thirty-six (36) CCS represent maximum CCS during busy hour.

Line 29 - Ten (10) Busy Hours Per Day (One (1) Busy Hour represents 10% of 24 hour traffic).

Line 30 - CCS Per Day is line 28 multiplied by line 29.

Line 31 - Twenty-two (22) Days Per Month represent the number of business days per month.

Line 32 - CCS Per Month is line 30 times line 31.

Line 33 - .6 CCS to MOU Factor represents conversion of CCS to MOUs.

Line 34 - Capacity MOUs is line 32 divided by line 33 and is expressed as a monthly amount.

Certificate of Service

I, Jennifer R. McCain, hereby certify that copies of the foregoing "Reply" of GTE have been mailed by first class United States mail, postage prepaid, on the 24th day of August, 1992 to the parties on the attached list:

Jennifer R. McCain

1992 Annual Access Tariff
August 24, 1992

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